



**Press Release**  
**Sewasingh Oberoi And Company**  
**October 01, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	21.00	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	23.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating to ‘**ACUITE BBB-**’ (read as **ACUITE triple B minusa**) and the short-term rating to ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs.23.00 Cr. bank facilities of Sewasingh Oberoi and Co (SOC). The outlook is ‘**Stable**’.

**Rationale for rating**

The rating reaffirmation is primarily driven by a stable business risk profile with expected improvement in revenues in FY2024(Prov). The improvement in performance is primarily on account of improved work orders and execution. The rating is constrained by the fluctuations in the profitability levels in last 3 years and the elongated working capital cycle.

However, the rating draws comfort from the above average financial risk profile of the firm backed by the comfortable capital structure and debt protection metrics.

**About the Company**

Sewasingh Oberoi and Co (SOC) was established in 1997 and is managed by Mr. Kanwaljit Singh Oberoi. The firm is based in Chhattisgarh and is engaged in the construction works of roads and bridges. SOC is a registered as a class A contractor with PWD, Chhattisgarh.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of SOC to arrive at the rating.

## **Key Rating Drivers**

### **Strengths**

#### **Long track record of operations supported by experienced management**

The firm has established a long standing presence in the construction industry with operations starting in 1997. SOC is managed by the experienced partner Mr. Kanwaljit Singh Oberoi. The firm has successfully developed a strong customer base comprising of Public Works Department (PWD) and Chhattisgarh Rural Roads Development Agency (CGRRDA). The strong customer base aids in maintaining the regular order flow. Acuité believes that the extensively experienced management and the long operational track record of SOC will continue to benefit the firm going forward.

#### **Above average financial risk profile**

The above average financial risk profile of the firm is marked by improving net worth, low gearing and comfortable

debt protection measures. The tangible net worth of the firm increased to Rs.67.27 Cr. as on March 31, 2024(Prov) as compared to Rs. 57.19 Cr. as on March 31, 2023 due to introduction of quasi equity of Rs. 3.58 Cr. and accretion of profits. Gearing of the firm stood below unity at 0.25 times as on March 31, 2024(Prov) as compared to 0.22 times as on March 31, 2023, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 0.54 times as on March 31, 2024(Prov) as against 0.53 times as on March 31, 2023. Moreover, the comfortable debt protection metrics is marked by Interest Coverage Ratio (ICR) at 4.04 times as on March 31, 2024(Prov), and the Debt Service Coverage Ratio stood comfortable at 3.21 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.35 times as on March 31, 2024(Prov). Acuité believes that the financial risk profile of firm will remain above average over the medium term, in absence of any major debt funded capex plans.

### **Improvement in the revenue levels**

The scale of operations of SOC witnessed slight improvement over the past two financial years. The revenues stood at Rs. 69.27 Cr. in FY2024(Prov) as compared to Rs.64.11 Cr. in FY2023 and Rs.45.91 Cr. in FY2022. In FY2024(Prov) & FY2023 the improvement in revenues is due to better work orders and execution of it. Going forward, the firm has an unexecuted orderbook to the tune of Rs.256.76 Cr as on June, 2024 which is expected to be completed in the next 03 to 60 months. Acuité believes that, going forward, improvement in the scale of operations coupled by timely execution of the orders will remain a key sensitivity factor.

### **Weaknesses**

#### **Fluctuating profitability margins albeit improvement from previous year**

The profitability margins of the firm improved and stood at healthy levels with operating margin at 9.38 percent in FY2024(Prov) as compared to 6.85 percent in FY2023 and 7.71 percent in FY2022. The fluctuating margins are due to difficulty in maintaining the predetermined margins due to fluctuating prices of 2 major raw materials i.e. cement & metal and also necessity of maintenance and repairs of roads for 3 years as per the contract. To mitigate this risk, the firm wants to enter into better margin fetching projects only. The PAT margin stood at 5.76 per cent in FY2024(Prov) from 5.49 percent in FY2023 and 4.34 per cent in FY2022. The RoCE level stood at 7.70 percent in FY2024(Prov) as against 6.87 percent in FY2023 and 5.71 percent in FY2022. Acuité believes that improvement in the profitability margins will remain key monitorable.

#### **Intensive Working Capital Cycle**

The working capital-intensive nature of operations of the firm is marked by high Gross Current Asset (GCA) days of 400 days as on March 31, 2024(Prov) as against 354 days as on March 31, 2023. The high GCA days are on account of significant advances provided to sub-contractors of Rs. 1.41 Cr. and security deposits of Rs.43.69 Cr. as on March 31, 2024(Prov). The inventory period increased to 142 days March 31, 2024(Prov) as against 91 days as on March 31, 2023. The inventory days were high in FY2024 due to significant unbilled revenues combined with higher procurement of raw materials due to availability of better prices. The firm is able to stretch its creditors for raw materials as evident from its creditors days of 100 days as on March 31, 2024(Prov). Acuité believes that the working capital operations of the firm will remain around similar levels as evident from the high level of other current assets and moderately high inventory cycle over the medium term.

### **Rating Sensitivities**

- Increase in revenues while improving margin
- Delays in executing order book
- Elongation in the working capital cycle

### **Liquidity Position**

#### **Adequate**

The liquidity position of the firm is adequate marked by steady net cash accruals of Rs. 5.87 Cr. in FY2024(Prov) against long term debt repayment of Rs. 0.50 Cr. over the same period. The current ratio stood comfortable at 2.76 times as on March 31, 2024(Prov) as compared to 2.60 times in FY2023. The fund based bank limit utilization stood at a high level of ~91 percent for the six months ended August, 2024. The unencumbered cash and bank balance stood at Rs. 0.16 Cr. as on March 31, 2024(Prov). Also, the working capital management of the firm is intensive in nature marked by high Gross Current Asset (GCA) days of 400 days as on March 31, 2024(Prov) as against 354 days as on March 31, 2023 due to significant security deposits maintained. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of steady cash accruals and absence of any debt funded capex plans.

### **Outlook: Stable**

Acuité believes that the outlook of the firm will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile or delay in completion of its projects or further elongation in its working capital cycle.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	69.27	64.11
PAT	Rs. Cr.	3.99	3.52
PAT Margin	(%)	5.76	5.49
Total Debt/Tangible Net Worth	Times	0.25	0.22
PBDIT/Interest	Times	4.04	5.41

**Status of non-cooperation with previous CRA (if applicable)**

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Oct 2023	Cash Credit	Long Term	2.00	ACUITE BBB-   Stable (Downgraded from ACUITE BBB   Negative)
	Bank Guarantee (BLR)	Short Term	21.00	ACUITE A3 (Downgraded from ACUITE A3+)
07 Oct 2022	Cash Credit	Long Term	2.00	ACUITE BBB   Negative (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	21.00	ACUITE A3+ (Reaffirmed)
29 Jul 2021	Bank Guarantee (BLR)	Short Term	21.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	21.00	Simple	ACUTE A3   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUTE BBB-   Stable   Reaffirmed

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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